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An economic and labor market analysis of the Central Utah Area

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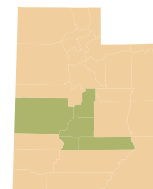
## What Do We Know About the Recent Recession's Long-Term Unemployed?

*Tracking Unemployment Insurance Claimants in Central Utah*

BY LECIA PARKS LANGSTON, ECONOMIST

Workers receiving unemployment insurance benefits comprise only about 30 percent of the total unemployed portion of the labor force in central Utah. The other 70 percent includes individuals who didn't qualify for benefits, those who have exhausted their benefits and those who are joining or re-entering the labor market. In addition, workers often find part-time work or temporary work while intermittently drawing unemployment insurance. Individuals

receiving unemployment benefits have maintained strong ties to the labor market. For example, to establish a "benefit year" for unemployment insurance, an individual must work a minimum number of weeks and earn a certain amount. The following describes a study using administrative unemployment insurance data to examine the long-term unemployed in central Utah. The long-term claimants in this study include those filing a first-time claim for regular unemployment insurance benefits between 2009 and 2010 who:



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*Unemployment insurance claimant demographic information paints a picture of the characteristics of the unemployed during the recent recession.*

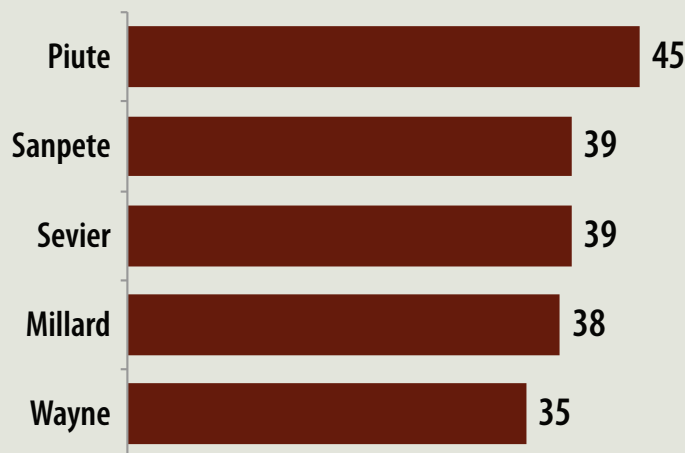
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*Most of central Utah's counties are still struggling towards labor market and economic expansion. Sanpete County stands alone with its moderate growth.*

#### Economic Analysis ..... 8

*Though the details of Unemployment Insurance have changed over time, the goal has always been to help protect individuals and the economy.*

**Figure 1: Average Number of Weeks Paid to Long-Term Unemployment Insurance Claimants\***



\* See article for definition.

Source: Utah Department of Workforce Services.





## What Do We Know... Cont.

- Received benefits for at least 20 weeks (the approximate average duration for regular benefits).
- Ceased filing unemployment claims for at least three months.
- Lived in Millard, Piute, Sanpete, Sevier or Wayne counties.

In non-recessionary periods, a claimant can receive a maximum number of 26 weeks of full benefits in one year. However, because of the economic slump, extended weeks of benefits were available during the study period.

## The Demographics of Long-Term Unemployment Claimants

**General**—Roughly 760 individuals met the criteria for long-term claimants in the five counties covered by this study. A total of 720 workers received fewer than 20 weeks of payments. On average, a long-term claimant received 39 weeks (roughly nine months) of benefits with an average weekly benefit amount of \$293. Claimants with the longest spate of unemployment drew 84 weeks of benefits, and the highest benefit amount paid equaled \$451. The average central-Utah long-term claimants who returned to a job covered by unemployment insurance laws in Utah experienced a \$6,100 drop in earnings after their first four quarters of work compared to 2008.

**Area**—The two counties with the largest employment bases also contributed the largest number of long-term claimants: Sanpete County (42 percent) and Sevier County (38 percent). Claimant shares for the remaining three counties also reflected their relative labor force shares, with Millard

at 14 percent, Wayne at 5 percent and Piute at 2 percent.

Piute County showed the longest average duration of unemployment at 45 weeks. On the low end was Wayne County at 35 weeks. Wayne County maintains a significant seasonal leisure/hospitality employment base. These workers may qualify for fewer weeks of benefits. The highest average maximum benefit amount can be traced to Sevier County at \$297. For the most part, average benefit amounts for these central Utah counts were tightly clustered. Only \$18 separates Sevier County's high average weekly benefit amount and Wayne County's low (\$279).

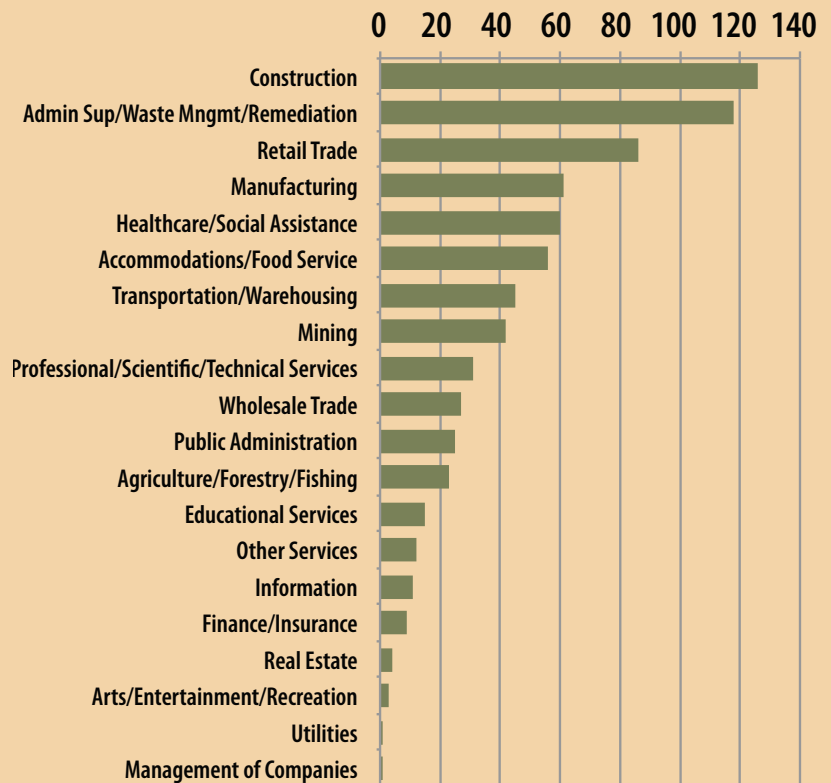
**Gender**—Males made up nearly two-thirds of long-term claimants, as the industries hit hardest by recession—manufacturing and construction—are generally dominated by men. Males' normally higher wages correlate

with higher weekly benefit amounts: \$326 compared to women's \$212. On the other hand, women were typically out of work for 41 weeks as compared to men who averaged 38.

**Age**—The recession proved no respecter of age. Workers in their 20s constituted nearly 30 percent of long-term unemployment insurance claimants. Each successive 10-year age cohort contributed a smaller and smaller share of these claimants. Workers in their 30s accounted for 26 percent of the long-term unemployed, while the share of workers in their 60s measured slightly more than 6 percent.

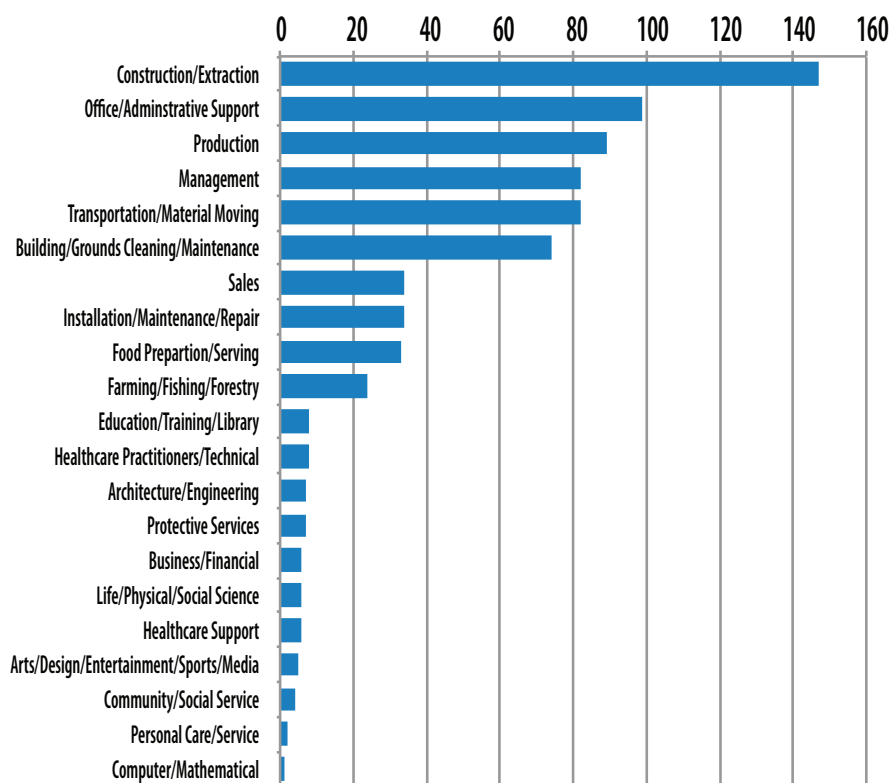
In contrast, generally, the higher a claimant's age, the higher the number of payments they received. Apart from teenagers and those over 70, 20- to 29-year-old claimants showed the shortest duration of unemployment payments (37 weeks). Claimants in their 50s presented the highest

Figure 2: Pre-unemployment Industry of Long-Term Unemployment Insurance Claimants\*



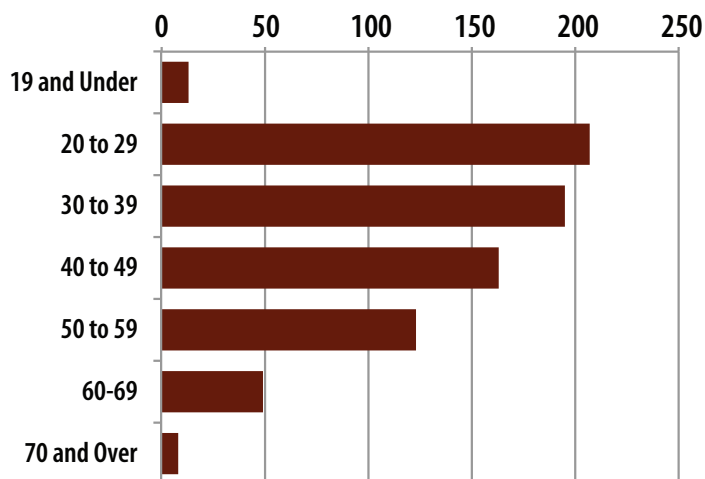
\* See article for definition.

Figure 3: Pre-unemployment Occupation of Long-Term Unemployment Insurance Claimants\*



\* See article for definition.

Figure 4: Age of Long-Term Unemployment Insurance Claimants\*



\* See article for definition.

number of average weeks paid (41 weeks). This difference may exist because younger workers, with their more volatile work histories, qualify for fewer weeks of benefits. However, this relationship certainly suggests that older workers find re-employment more difficult.

**Industry**—Construction industry employment normally contracts during a recession. The housing bubble exacerbated construction woes in the most recent downturn. Even a casual observer should not be astonished to discover the construction industry produced the highest share of long-term users of unemployment insurance. Almost 17 percent of all claimants' last jobs occurred in the construction industry. Because of the on-again, off-again nature of construction projects, this industry always shows a high percentage of claimants, even during a boom. The administrative support/wage management/remediation industry (includes temp agencies) at 16 percent, retail trade industry at 11 percent and manufacturing industry at 8 percent showed the next highest claimant shares. Even the recession-resistant healthcare/social services industries contributed 8 percent of long-term claimants.

Industries with little total employment also displayed small shares of long-term central Utah claimants. The management of companies, utilities and arts/entertainment/recreation industries showed only minute claimant shares. Several large employment industries also maintained small long-term claimant proportions. Education services (public and private) and public administration each accounted for only 2 to 3 percent of the long-term unemployed population.

Workers hailing from the relatively small professional/scientific/technical services industry suffered the longest spell of unemployment insurance payments. These workers collected nearly 44 weeks of benefits. The unemployed from retail trade, educational services, manufacturing and other service industries all showed an average of 41 to 43 weeks paid. Interestingly, construction workers



## What Do We Know... Cont.

ranked far down the list with an average of 36 weeks paid. Industries with the lowest average weeks of unemployment payments included management of companies, arts/entertainment/recreation and administrative support/waste management/remediation.

Previous employment in a high-paying industry typically means a higher weekly benefit amount due to benefit determinations. Long-term workers with the highest average weekly benefit payments lost jobs in high-paying industries, specifically mining (\$383), transportation/warehousing (\$358) and real estate (\$334). Correspondingly, the lowest average benefit amount of significance can be traced to the lowest-paying industry, accommodations/food services (\$188). Remarkably, long-term claimants from the healthcare/social assistance industry exhibited the second-lowest average weekly benefit amount. This suggests that highly-skilled, highly-paid workers rarely appeared among the long-term unemployed from the healthcare/social services industry.

Where did central Utah long-term unemployment insurance claimants find employment when they returned to work? Pre-unemployment industries typically provided jobs for the largest share of claimants who returned to work. For example, 57 percent of construction-industry workers found employment in the construction industry and 71 percent of transportation/warehouse industry workers returned to their previous industry. Fifty-one percent of manufacturing workers found another job in manufacturing. For most industries, the share of claimants returning to their original industries ranged between 30 and 50 percent.

Obviously, a significant amount of industry-hopping still occurred. A significant number of workers originally from the mining industry found jobs in construction. Notable shares of employees moved to administrative support/waste management/remediation.

The administrative support/waste management/remediation industry provided the first re-employment for many workers. Why? This industry includes temporary help services. More than two-thirds of the workers who found employment in this industry were employed by temporary help services companies or employee-leasing firms. In other words, a notable share of workers' first re-employment appears temporary in nature. Construction and retail trade also provided important sources of re-employment.

Laid-off workers from all industries experienced an average drop in wages between 2008 and their re-employment. However, the industry-by-industry tally exhibits wide differences. The few long-term claimants originating in the real estate industry saw the most dramatic drop in wages. Workers from the high-paying mining industry experienced an average \$14,300 drop in annual wages. The average drop for those let go from the professional/scientific/technical services industry registered \$9,900. The smallest declines in re-employment wages occurred in accommodation/food services, administrative support/waste management/remediation and wholesale trade.

Occupations—Understandably, workers with construction/extraction occupations comprise almost one-fifth of all long-term claimants. Office and administrative support occupations (clerical) contributed 13 per-

cent and production occupations accounted for 12 percent. Management and transportation/material moving occupations each generated 11 percent of claimants. With the exception of production occupations, these groups also maintain high shares of the employed portion of the labor force. Nevertheless, both construction and production occupational groups were represented at a higher rate than their share of total employment would suggest.

Among occupational groups with significant numbers of claimants, healthcare support occupations showed the highest average number of benefit weeks paid (51 weeks) to long-term unemployment insurance claimants. Workers with protective service occupations also showed a higher-than-average duration of payments (49 weeks). Occupations with the lowest durations tended to have generated few long-term claimants—computer/mathematical, personal care/service and community/social service.

Those familiar with the characteristics of the recent economic downturn and the labor market will discover the findings of this study reflect those characteristics. However, tracking long-term unemployment claimants in the region does provide a framework for understanding and clarifying the structure of the Great Recession. The relative length and depth of the contraction are mirrored by the duration of benefits paid to long-term claimants. Occupations and industries hit hardest by the downturn generated the largest number of claimants. When returning to work, long-term claimants typically found jobs in their pre-unemployment industry or picked up temporary work. Younger workers found re-employment faster than older workers. ■



## Economic Indicators

BY LECIA PARKS LANGSTON, ECONOMIST

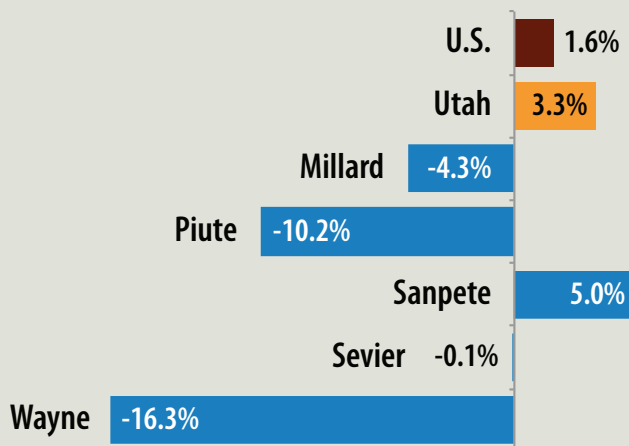
Most of central Utah's counties are still struggling towards labor market and economic expansion. Of all five counties, Sanpete alone seems to have dug its way out of the recession towards moderate growth.

### Millard County

Millard County's employment history is riding the rollercoaster that often appears when a large construction project hits a small county. First, employment increases dramatically; then those jobs disappear. Currently Millard County's employment is on the downhill slide of the construction-job rollercoaster. Unfortunately, other indicators paint a rather disjointed picture for the rest of the economy.

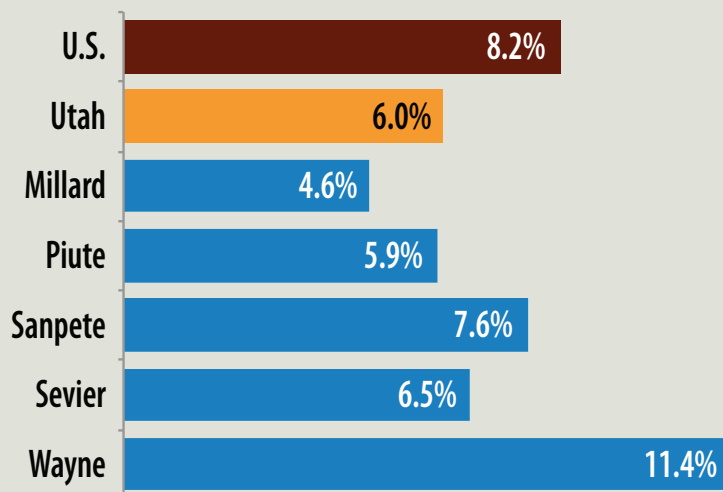
- Between March 2011 and March 2012, Millard County's nonfarm jobs decreased by 4.3 percent. The overall loss in jobs totaled 171.
- Construction alone accounted for 119 lost positions as the result of wind farm completion. Other sectors also participated in the contraction: both leisure/hospitality services and manufacturing experienced substantial job losses.
- Employment gains among Millard County's industries appeared few and far between. Professional/business services, transportation/warehousing and unemployment-insurance-covered agriculture (not included in the nonfarm totals) showed the only gains of note.
- Since many of the aforementioned lost-construction jobs were held by individuals whose permanent residences lie outside of Millard County, the current job contraction has had little effect on the unemployment rate.
- The county's jobless rate continued to ever-so-slowly decline to its current 4.6 percent figure—far below both state and national averages. Initial claims are also down from

Figure 5: Change in Nonfarm Jobs  
March 2011–March 2012



Source: U.S. Bureau of Labor Statistics; Utah Department of Workforce Services.

Figure 6: Seasonally Adjusted Unemployment Rates  
June 2012



Source: U.S. Bureau of Labor Statistics; Utah Department of Workforce Services.





recent years supporting the decrease in the jobless rate.

- Despite Millard County's spate of homebuilding in 2011, the first four months of 2012 display a much bleaker picture. Home permits approved for January to April are down almost 60 percent as are total permitted values.
- Although in much of central and southwestern Utah gross taxable sales are a spot of economic light, this is not so in Millard County. First quarter 2012 sales dropped 28 percent from comparable 2011 figures. The current loss marks a full year of declining gross taxable sales.

### Piute County

Piute County has yet to show signs of economic recovery. Since the beginning of 2009, Piute County has shown nothing but significant nonfarm job loss. Of course, many workers commute to other areas for employment and most agricultural employment is not included in our job counts. Otherwise, the indicators would paint a darker economic picture.

- Between March 2011 and March 2012, Piute County lost almost 30 jobs. While this loss might be a small number of positions in many counties, it represents a 10-percent contraction in Piute County's payrolls.
- Putting a drag on the overall employment situation, private education/health/social services (the largest decline), government and the leisure/hospitality industries all lost employment.
- Some job growth developed—just not enough to counteract the losses. Agriculture jobs covered by the unemployment insurance program actually generated the largest gains, although these figures are not included in the nonfarm totals. In addition, retail and wholesale trade made very small contributions to the labor market job pool.
- Reflecting its high share of out-commuters, Piute County's jobless rate has actually trended downward since 2009, concurrent with its

job loss. Many workers have found employment outside the county. Currently, Piute County's unemployment rate measures 5.9 percent—lower than figures for both the state and the nation.

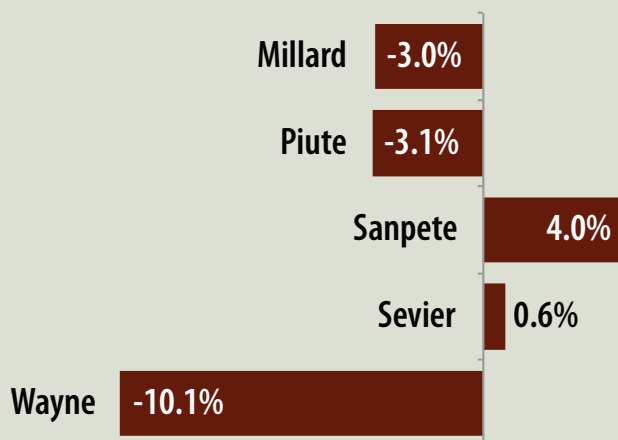
- Gross taxable sales have certainly made a comeback. The 15 percent year-over increase in sales represents the seventh straight quarter of improving sales for Piute County.

### Sanpete County

Now that Sanpete County has finally dug its way out of recession, it is gaining employment at a decidedly robust rate. Not only is the most reliable indicator of economic health, year-to-year change in nonfarm jobs, improving nicely, most other indicators tell the same tale.

- Between March 2011 and March 2012, Sanpete County's nonfarm jobs grew by a vigorous 5 percent—notably higher than the rate for rapidly-growing Utah. Moreover, the net addition of 340 positions was spread among most sectors.
- Sanpete County showed the best employment-creating performance in its region.
- Industry gains proved fairly broad-based. Manufacturing, leisure/hospitality services and private education/health/social services added the largest number of new positions.
- Only three major industries registered employment contractions—information, wholesale trade and financial activities.
- As in most areas, unemployment continues to trend downward in Sanpete County. Currently, at 7.6 percent, its rate measures somewhat below the national average. Sanpete County's jobless rate does register somewhat higher than the statewide average of 6 percent despite its strong

**Figure 7: Projected Nonfarm Employment Change 2011–2012**



Source: U.S. Bureau of Labor Statistics; Utah Department of Workforce Services.

job gains. Higher rates are due in part to a seasonal lull in the labor market.

- Construction appeared as the lone negative indicator in Sanpete County's current economic picture. Both new residential and nonresidential construction permit values were down dramatically for the first four months of the year.
- Gross taxable sales for the first quarter of 2012 increased by 10 percent compared to the previous year. With four quarters of improving sales under its belt, sales back up the healthy employment signs. In addition, new car and trucks sales exploded in the first quarter of 2012.

### Sevier County

Once an early achiever in the job-growth segment of the economic recovery, Sevier County's economy appeared stagnant in early 2012. Recently, employment expansion evaporated in the face of several layoffs. Job growth seemed to be resuming at the cusp of the new year only to deteriorate by March. Overall, a mixed bag of economic indicators for the Sevier County economy suggests that the economy is still somewhat stressed.

- Between March 2011 and March 2012, overall employment levels in Sevier County changed little (down 0.1 percent or eight jobs). The current torpor follows on the heels of several months of rather lackluster gains.
- Transportation/warehousing, manufacturing and other services generated the most new jobs.
- A 70-job decrease in retail sales cancelled out much of the growth in other sectors with a little help from contraction in construction, financial activities and the public sector.
- Recent layoffs produced a slight uptick in unemployment after a long,

downward trend. Sevier County's jobless rate for June 2012 clocks in at 6.5 percent—still far below the national average.

- While homebuilding permits have yet to rally, new nonresidential construction permit values are up substantially in the first four months of 2012. Total permit values rose 21 percent from January to April 2011. This improvement could likely result in improved construction employment in the months ahead.
- In the first quarter, gross taxable sales rose only 2 percent. However, sales have increased at a moderate to strong rate in five of the last seven quarters. On the other hand, new car and truck sales are down 14 percent for the first quarter of 2012.

### Wayne County

Not surprisingly, the loss of Wayne County's major employer (Aspen Health Group) continues to plague its labor market. Both job-loss and unemployment rates continue to register in double-digit territory. On the bright side, non-labor-force indicators provide some hope.

- As a result of Aspen's job declines working their way through the numbers, Wayne County showed an employment drop of 16 percent between March of 2011 and 2012. Overall, jobs dropped by 145 positions year-to-year. Layoffs began about a year ago, so the job-loss rate has actually improved slightly in recent months.
- The private education/health/social services industry (which includes the Aspen Group) obviously contributed the bulk of the decline in payroll jobs. However, several other industries also joined the job-losing club—most notably retail trade.
- Net job gains appeared in several industries—most prominently

in leisure/hospitality services, construction and unemployment insurance-covered agriculture.

- Unemployment rates rose hand-in-hand with job losses. As of June 2012, Wayne County's jobless rate measured 11.4 percent—far higher than its recession-era level. Currently, unemployment in Wayne County registers more than 3 full percentage points higher than the national average.
- While the labor force contracted, construction activity expanded. The number of new home permits issued between January and April 2012 increased 67 percent in comparison with 2011. Also, a surge in residential additions/alterations/repairs helped shove total permit values up by 84 percent. This activity should show up as employment in future reports.
- Wayne County's first quarter 2012 gross taxable sales also presented a robust picture—up 18 percent from first quarter 2011. In the past two years, Wayne County has experienced only two quarters of declining sales—an admirable record. ■

For an up-to-date analysis of the southwest economy, check out our blog: [economyutah.blogspot.com](http://economyutah.blogspot.com).



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## Economic Analysis

BY MELAUNI JENSEN

To safeguard the economy against short-term losses and help individuals who have lost their income because of a layoff, Utah enacted the first unemployment compensation law on August 29, 1936. On September 15 of that same year, the state received approval under the Social Security Act to administer unemployment insurance funds. The Department of Workforce Services is the administrator of the Unemployment Insurance Benefits program (commonly called UI) for Utah. Through this program, DWS collects contributions, determines eligibility, takes claims and pays benefits to unemployed workers.

Where does the money come from? In order to entice states to endorse some sort of program to help the unemployed, the federal government gave a tax incentive to employers in industrial and commercial industries who have eight or more employees working for at least 20 weeks in a calendar year. Through both the Social Security Act, which authorizes the use of grants toward states, and the Federal Unemployment Tax Act, which pays a portion of the cost for each state, funds are collected by DWS and kept in a trust fund account from which DWS can withdraw at any time and use exclusively for this program.

To be eligible for these benefits, unemployed workers must meet certain criteria as defined by DWS and then they will receive an amount based on their earnings over a recent 52-week period. To keep these temporary benefits, they must actively search for work

each week and document their searches. They are also offered free workshops and other resources to help in their efforts to obtain employment.

In 1970, due to a significant economic downturn in the late 1960s, an extended benefits program was developed between the federal government and the states to allow those who had exhausted their regular benefits to continue receiving benefits for an extended period of time. If the unemployment rate continued to be above 5 percent for more than 13 weeks, an eligible recipient was given extended benefits. By 1992, the states were given the option of taking on an additional formula that would trigger extended benefits. Today, extended benefits may be paid in Utah, provided that the state is in an extended benefit period as defined by the law and other requirements. This federal and state partnership and the rules and regulations are all intended to stabilize the economy and encourage employers to keep skilled labor and offer steadier employment.

As much as we would like to be rid of unemployment, it is a part of life. Even in the best of times, there will be individuals who are employable without a job for many different reasons. Over the years as the economy has changed, the Unemployment Insurance Benefits program has also changed the duration of benefits, qualifications, employers who are subject to the tax and requirements. More changes are likely to happen in the future as we face new challenges and learn new processes, all in an effort to help stabilize the economy.